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C O N F I D E N T I A L BUENOS AIRES 000827

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TAGS: [PGOV](#) [EAGR](#) [ECON](#) [EFIN](#) [INVI](#) [AR](#)
SUBJECT: ARGENTINA: NO END IN SIGHT FOR 100-DAY FARM CRISIS

REF: A. BUENOS AIRES 803
[1](#)B. BUENOS AIRES 797 AND PREVIOUS

Classified By: E. Anthony Wayne for reasons 1.4(b)and(d)

[1](#)1. (C) Summary: In what could prove an important step in diffusing the 100-day old farm crisis, President Fernandez de Kirchner (CFK) announced on June 17 that she would be sending a bill this same day to the legislature on the question of the increased agricultural export taxes for debate and vote. This move, she stated, is in direct response to a request by the farm sector in its meetings with the GoA. CFK provided no details about the draft legislation, which could prove to be unacceptable to the farm sector if, beyond addressing just the rolling export charge rate, imposes additional controls on the export market. The draft legislation could also reaffirm existing legislation (which the GoA has threatened to use at various time during the crisis) to force producers to supply the domestic market -- again limiting exports. It will take some time, once the details are made public, for the farm sector and legal types to begin to sort out the implications. Some road blockages are likely to continue in the short term as they are not controlled by any one group, and, even if the roads clear, it will take some time for deliveries to return to normal. End Summary.

[1](#)2. (SBU) Using the commemoration of the military's 1955 bombing of the Plaza de Mayo, President Cristina Fernandez de Kirchner (CFK) on June 17 announced she would be sending a bill to the legislature that same evening for debate and vote on the sliding scale of taxes on soy exports. She provided no details of the draft legislation but noted that this is in response to a demand from the farm sector. She also noted that the government was well within its constitutional responsibilities in establishing the increased export rates in the first place. Apart from this apparent concession to the farm sector, CFK was otherwise her regular combative self, attacking the motives of the road blockages and the resulting shortages of consumable goods in various parts of the country.

[1](#)3. (C) CFK, however, provided no details about her proposed legislation. If it includes additionally restrictive language, i.e. imposes new controls on exports, it could prove unacceptable to producers. The draft legislation could also seek to reaffirm existing legislation that requires producers to supply the local market, another bone of contention with the farm sector and a measure that has been threatened several times during the crisis by the GoA.

[1](#)4. (SBU) The Kirchners' remarks follow on a long holiday weekend that witnessed a marked escalation in confrontations, tension and anxiety in Argentina. The temporary arrest on June 14 of vocal farm leader Alfredo De Angeli and other farm protestors -- covered widely on TV and radio -- resulted in large, spontaneous demonstrations throughout Argentina's

major urban centers -- including in the Plaza de Mayo and in front of the suburban official residence in Olivos. Protestors voiced as much their disapproval of the GoA's hardline tactics and refusal to negotiate as support for the farm cause. Once again, administration shock troops (friendly piquetero and union groups) mobilized to "retake" the streets, this time joined by Nestor Kirchner and senior GoA ministers in a raucous and off-putting show of support for the government. Even larger spontaneous demonstrations broke out on the evening of June 16 (Flag Day) following statements earlier that day by vocal piquetero leader Luis D'Elia claiming that former president and BA governor Eduardo Duhalde and other PJ dissidents were trying to organize a coup d'etat and calling for Argentines to "arm themselves" in support of the constitution (D'Elia later walked back from the latter comment). Unlike earlier public protests in Buenos Aires where largely middle and upper class Argentines took their pots and pans to the streets, this time the protests were picked up in some of the lower middle class sections of the greater Buenos Aires area.

15. (C) The Kirchners' continued hardline approach to the 100-day farm crisis, while appealing to their core constituency, is increasingly bringing to the fore fissures among peronists and in the GoA's governing coalition. A number of Senior PJ figures, legislators and governors, including Senator Carlos Reutemann and governors Juan Schiaretti, Das Neves and former governors Felipe Sola and Eduardo Duhalde are openly calling for dialogue. Vice President (and President of the Senate) Julio Cobos, possibly in a break with the Kirchners, has called for a special session of the Senate to debate the farm issues. The opposition parties in the lower Chamber of Deputies are also trying to force a debate in that government-controlled body. Nestor Kirchner in his June 17 remarks toned down his call for the faithful to "flood" the Plaza de Mayo on June 18 in support of the government. Some PJ luminaries, PJ mayors in the greater BA area, and even the pro-government union confederation CGT, alarmed by the ex-president's combative tone, had quietly called for the Casa Rosada to cancel the rally. There is a general anxiety among Argentines and some analysts that the dynamics of the situation are spiraling out of control. The hope is that cooler heads will prevail but serious shortages in food stuffs and consumer items, industrial inputs, and particularly fuel (diesel and gas) are beginning to be felt and will get worse before improving, even if the situation is quickly resolved.

16. (C) Comment: While a potentially important concession that will require significant study by interested parties, just addressing back export taxes may not be sufficient to quell rising popular demands for a less confrontational governing style, dominated behind the scenes by CFK's pugnacious husband, former president Nestor Kirchner.
WAYNE